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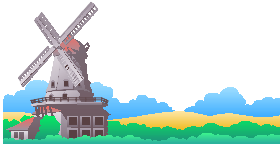
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Market Brief

Netherlands : The Dutch Organic Food Market is Poised for Growth

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The Hague [NL1], NLNL



THE DUTCH ORGANIC FOOD MARKET IS POISED FOR GROWTH

The Dutch market for organic foods is poised for growth as consumers are becoming increasingly aware of both the environmental and health aspects of organic foods. Supermarkets are responding by taking a serious look at expanding their organic food sections, including Albert Heijn and Konmar, two of the major supermarket chains in the Netherlands.

The Dutch Government is actively supporting the organic food industry with the aim of increasing market share from less than 1% of total food consumption to as much as 6-10%. In February 1997, the Dutch Government implemented a Dfl 60 million (approximately \$33 million) action plan to stimulate production, distribution and sales of organic foods.

Number of Reform/Health Food Stores:	700
Total Sales of Reform/Health Food Stores:	\$250 Mil.
Supermarket Food Sales:	\$28 Billion
Number of Organic Processors:	461
Number of Organic Importers:	48
Number of Organic Farmers:	761

Health Food Stores are the Primary Sales Outlet Health food stores and reform shops are the primary outlets for organic foods in the Netherlands accounting for 75% of total sales, followed by supermarkets at 20%, and other outlets at 5%. Fresh products, such as dairy, produce and meat, account for roughly 40% of total organic food sales. The price premium on these products varies but is estimated at between 15 and 20%. The premium on processed organic foods is considerably higher, ranging from an estimated 50 to 100%, depending on the item.

There are approximately 700 health food stores and reform shops in the Netherlands. Health food stores carry a wide assortment of both fresh and processed organic and natural foods, while reform shops tend to specialize in therapeutic products. Fresh product is

particularly important for health food stores accounting for nearly 50% of total turnover. Although most of the reform and health food stores in the Netherlands are independently run, there are two major franchise organizations: Gimsel and Natuurwinkel. Together, they account for approximately 70 stores, all of which are part of the Natural Food Organization, an organization affiliated with Natudis which is the largest organic food distributor in the Netherlands.

Although growing, organic food sales in the Netherlands have not kept pace with sales in other EU markets, especially Denmark, Austria and Germany. The slower growth is usually attributed to the Dutch consumer who is evidently not yet willing to pay a premium for organic foods. However, there is evidence that the Dutch consumer attitude toward organic foods is changing. Organic food sales through farmers markets, vegetable home delivery services, and specialty shops are increasing. Supermarkets are responding with consumer information campaigns and expanded selections of organic products, particularly in the produce, dairy and meat sections.

Dutch Supermarkets Expand Selection of Organic Foods Although Dutch consumers are beginning to show more interest in organic foods, many industry analysts believe that the future of organic food sales in the Netherlands hinges on supermarkets and the extent to which they stock organic foods on their shelves. Already accounting for 71% of total food sales, supermarkets will likely continue to gain market share at the expense of specialty shops given the consumer trend toward one-stop shopping.

Dutch supermarkets, unlike some of their counterparts in other European markets, have been reluctant to carry organic foods citing problems with supply, quality and price. However, this too seems to be changing. Supermarkets such as Albert Heijn, Konmar, Nieuwe Weme and Coöp are expanding both the number and type of organic foods they carry. In addition to organic

foods, natural and environmentally-friendly foods are also showing up on supermarket shelves.

According to a spokesperson for Albert Heijn, the largest supermarket chain in the Netherlands with 650 outlets, the time is ripe for introducing organic foods. Until recently Albert Heijn carried an assortment of just 20 organic items including fresh vegetables, ice cream, and dairy products. (Albert Heijn introduced EKO-potatoes in 1990 and later followed with “The Green Cow” label for organic dairy products.) However, Albert Heijn announced their own private-label brand for organic products in February 1998 called AH Biologisch. Products marketed under this brand include bread (two types), eggs, orange juice, apple juice, wine, coffee, tea, vinegar, jam, Dutch cookies and poultry meat. A spokesperson for Albert Heijn expects the entire product line to be available in 450 of their stores by mid-March and hopes that, eventually, organic food will account for as much as 14 percent of total private-label sales. All of the organic foods sold under the AH Biologisch brand will carry the EKO label.

Konmar, another major retailer, is striving to have an organic or environmentally-friendly alternative in virtually every product group, from applesauce to wine.

Konmar has traditionally placed the organic alternative on the shelf next to the conventional product with a shelf card indicating that this is an organic or environmentally-friendly alternative while Albert Heijn has tended to group organic foods together in a separate section of the store. However, Albert Heijn has changed its merchandising strategy and now plans to place organic products next to conventional products, a marketing move that is viewed as essential by many retail analysts.

Supermarkets reportedly follow flexible policies when it comes to organic foods. For instance, if organic products do not meet sales turnover targets, Konmar will give the product an “extra chance” and not drop it immediately from the store shelves. To stimulate sales, one Albert Heijn franchise limits the price differential between organic and non-organic products to 50%.

Along with supermarket willingness to carry organic foods, supply availability is an important factor that will determine the growth of organic food sales. Konmar reportedly experienced difficulty in obtaining supply agreements with some of the larger organic and natural food suppliers because they didn’t want to jeopardize their relationship with their traditional customers, the natural food stores and reform shops. To solve the problem, Konmar developed their own brands: Ecogrande for processed foods, and Natuurzuivel for dairy products.

In addition to supply, price is an important factor that will influence sales growth. The Dutch consumer is notorious for being price conscious. Industry analysts believe that high volume sales through supermarkets are critical in order to reduce the price premium on organic foods. Because the distribution channels for health food/reform shops and supermarkets are different, the rate of growth of organic food sales in the Netherlands will most likely depend on the extent to which the major supermarket suppliers broaden their assortment of organic foods.

Consumers Are Aware of the EKO Symbol

Organic certification is an important issue for any U.S. organic company targeting the European market. In the European Union, the production, marketing and labeling of organic foods (from plant origin) are governed by EU regulation 2092/91. Adopted in June of 1991, this regulation defines uniform rules governing organic production and processing for all EU member states. It requires that imported organic products be produced, processed and labeled under conditions “equivalent” to those in the EU. This means that any organic food product imported from the United States must meet EU production, processing and labeling standards.

The Dutch Government has designated Skal Inspection and Certification, a private international inspection organization, to approve and monitor the use of organic labeling on food products, including imported foods. Skal Inspection and Certification is the only organization permitted to grant the EKO Quality symbol - the organic symbol recognized by the Dutch consumer - in the Netherlands.

The EKO symbol guarantees that a minimum of 95 percent of a product's ingredients come from inspected

organic farms produced and processed in accordance with EU regulation 2092/91. Because this regulation applies only to plant and plant derived products, Skal has developed its own standards for animal and animal derived products.

Although the EKO symbol is not mandatory, many Dutch organic food importers and retailers believe it is an important marketing tool for organic food products. An estimated 5% of Dutch consumers purchase organic foods on a regular basis. Studies show that an additional 40% of Dutch consumers are familiar with the EKO quality symbol and can be regarded as potential customers.

Exporting Organic Foods to the Netherlands

For a U.S. company interested in exporting organic food products to the Netherlands, the first step is to have the importer apply for an import authorization from LAZER - the division within the Dutch Ministry of Agriculture responsible for granting import authorizations for organic foods. Under EU regulation 2092/91, the U.S. exporter is not permitted to apply for an import authorization directly. The application must come from a Dutch importer registered with Skal.

In order to receive an import authorization, the importer must provide LAZER with fairly extensive information. For example, the importer must provide documentation on the organic production standards and inspection system of the country of origin, as well as information regarding the processor and the exporter. Typically, Skal collects this information on a fee-for-service basis for the Dutch importer. Skal, in turn, works with many of the U.S. organic inspection organizations to obtain the required information.

LAZER grants import authorizations on a product by product basis. Once received, a particular authorization is valid for a specific product, inspected by a specified U.S. inspection organization, and exported by a specified exporter. Under EU regulation 2092/91, import authorizations are valid until the year 2002. If a U.S. company wants to export an additional product with different ingredients, another import authorization must be obtained by the Dutch importer. The Dutch importer must also apply for a new import authorization if either the U.S. inspection organization

or the U.S. exporter of the product changes. Every year, Skal reviews import records and checks labels to ensure that they are in compliance with Dutch import regulations.

In order to use the EKO symbol on a product label, an annual fee of roughly 1,500 Dutch guilders (approximately \$825) must be paid to Skal. In addition, Skal assesses a levy on sales turnover. Depending on total sales, the levy is anywhere between 0.2 and 0.9% of sales turnover. At present, Skal is the only organization allowed to award the EKO symbol in the Netherlands. However, there is discussion in both government and industry circles about the merits of allowing additional organizations to award the symbol.

Import Certification is Required Organic food imports must be accompanied by a certificate of inspection issued by an approved inspection body in the United States. The inspection certificate must guarantee that the production and processing methods used comply with EU regulation 2092/91.

Dutch Government Supports Organic Products

The Dutch Government announced a Dfl 60 million (approximately \$32 million) action plan on November 28, 1996 to stimulate production, distribution and sales of organic foods. Along with increased domestic production, an important goal of the plan is to improve the sales and distribution network for organic foods and increase the number and type of retail outlets that offer organic foods. In order to achieve this objective, a significant percentage of the funding (approximately Dfl 10 million or \$5.5 million) is being used for consumer education campaigns, television advertising, restaurant promotions, and generic supermarket promotions. Under EU legislation, the Dutch Government is prohibited from using any of this funding to support promotions of branded items. U.S. companies can "piggy-back" on this generic promotion campaign by doing their own branded promotions. Funding to offset the cost of international promotional activities is available from the U.S. Department of Agriculture under the Market Access Program.

Although the Agriculture Ministry does not have an official target, it is reportedly aiming at increasing the market share of organic products to 6-10% of total food

sales, up from an estimated 1%.

Opportunities to Supply the Dutch Market

Although organic export statistics are not available, Dutch imports of U.S. organic foods are growing. In 1996, 34% of the 82 import authorizations issued by LAZER were for U.S. products.

Many U.S. organic products are imported in bulk and repacked in the Netherlands, while others are imported for use as inputs in the Dutch food processing industry. Examples include wheat, pulses (lentils, navy beans, azuki beans and mung beans), glutenous and basmati rice, wild rice, soybeans, amaranth, buckwheat, millet, tomato concentrate, dried fruits (raisins, prunes, apples), popcorn, almonds, sunflower seeds, alfalfa seeds, flax seed, animal feed and maple syrup.

Although limited, U.S. brands of organic and natural foods are increasingly showing up on Dutch retail food shelves including dehydrated soups, tortillia chips, rice milk and salad dressings.

U.S. exporters who can provide a steady supply of high quality organic products at competitive prices should explore export opportunities to the Netherlands. Because production of organic foods is still relatively limited in Holland, importers could supply some of the growing market demand, especially for processed and new-to-market organic products. Easy-to-prepare foods that minimize time spent in the kitchen, but are still perceived as healthy, should do particularly well in the Dutch market.

Mr. Wim Engels, a consultant for the organic and natural food industry, recommends that for any U.S. company interested in exporting to the Netherlands, the first step is to learn about the market. This means looking at competing products and relative price and quality levels. A potential importer also needs to assess whether the health food or supermarket sector offers the most potential because the distribution channels for these two sectors are different.

Exports to the Netherlands typically mean access to other EU markets as well. In addition to supplying domestic demand, Dutch traders are important suppliers of organic products to other growing markets

in Europe. In 1995, reportedly 28% of the 459 EU import authorizations for organic foods were issued in the Netherlands.

Major Dutch Organic Food Importers

Eosta

Fresh Produce

Postbus 132
3980 CC Bunnik
Ph: (31) 30-656-6000
Fax: (31) 30-656-6040

Natuproduits B.V.

*Full Range of Products
(Imports for Natudis)*

Postbus 376
3840 AJ Harderwijk
Ph: (31) 34-146-4211
Fax: (31) 34-143-1589

Tradin Agriculture International B.V.

Grains & Pulses

Huizemaatweg 17
1273 NA Huizen
Ph: (31) 35-528-7000
Fax: (31) 35-524-3666

DO IT

Grains, Nuts, Fats & Oils

Prins Hendrikweg 19
3771 AK Barneveld
Ph: (31) 34-242-3119
Fax: (31) 34-242-3571

Horizon Natuurvoeding B.V.

Processed Foods

Postbus 77
3400 AB IJsselstein
Ph: (31) 30-688-7730
Fax: (31) 30-688-7142

Trouw B.V.

*Grain Products
(Primarily buckwheat)*

Piekstraat 63-65
3071 EL Rotterdam
Ph: (31) 10-486-6332
Fax: (31) 10-486-0928

Simon Levelt Koffie and Theehandel

Coffee & Tea

A. Hofmanweg 3
2031 BH Haarlem
Ph: (31) 23-512-2522
Fax: (31) 23-512-2525

Spack Chemie B.V.
Moriaanseweg 96
Materials
3223 AK Hellevoetsluis
Ph: (31) 181-31-8379
Fax: (31) 181-31-2219

*Sunflower, Sesame and
Olive Oils, Raw*

Euro Herb Bio B.V.
Dynamostraat 12
3903 LK Veenendaal
Ph: (31) 318-54-3288
Fax: (31) 318-54-2458

Spices

Odin Holland
Postbus 225
4190 CE Geldermalsen
Ph: (31) 345-57-7133
Fax: (31) 345-57-6848

Fresh Produce

Madal Bal B.V.
Cort van der Lindenstraat 17
2288 EV Rijswijk
Ph: (31) 70-413-7070
Fax: (31) 70-413-7071

*Specialty Teas and
Gourmet Food*

Urtha B.V.
Postbus 112
1850 AC Heiloo
Ph: (31) 72-533-0481
Fax: (31) 72-533-8371

Grain Products

Masteco B.V.
Koelemei 2
4816 JD Breda
Ph: (31) 76-571-9199
Fax: (31) 76-581-0260

Essential Oils

De Traay
Platinastraat 50
8211 AR Lelystad
Ph: (31) 320-282-928
Fax: (31) 320-282-928

Honey

Eurolaunch
Postbus 1045
3800 BA Amersfoort
Ph: (31) 33-469-9970
Fax: (31) 33-469-9963

Specialty Foods

Major Dutch Organic Food Distributors

Natudis
Fahrenheitstraat 18
Postbus 376
3840 AJ Harderwijk

*Largest Distributor
in the Netherlands*

De Nieuwe Band
Noorderringweg 12
9363 TC Marum
Ph: (31) 59-464-3355
Fax: (31) 59-464-3385

Full Range of Products

L.P. Van den Boogaard
Postbus 479
54003800 BA Amersfoort
Ph: (31) 33-469-9970
Fax: (31) 33-469-9963

Dairy Products

Major Dutch Organic Food Manufacturers

Nutricia (Zonnatura)
Postbus 1
2700 MA Zoetermeer
Ph: (31) 79-353-9574
Fax: (31) 79-353-9643

*Baby food, Museli,
Processed Foods
(Imports Ingredients)*

TerraSana Natuurvoeding
Waaier 10
2451 VV Leimuiden
Ph: (31) 172-503--344
Fax: (31) 172-503-355

*Gourmet Food/Chips
(Imports Chips/Distributes
Some Products)*

Golden Temple Natural Products
Den Texstraat 46
1017 ZC Amsterdam
Ph: (31) 20-420-7734
Fax: (31) 20-624-2253

*Tea
(Imports Ingredients)*

C&C Fine Foods
Postbus 240
1850 AE Heiloo
Ph: (31) 72-533-6738
Fax: (31) 72-533-8371

Candy, Chips, Pasta

Johannesmolen
Postbus 646
6500 AP Nijmegen

Specialty Flours

Ph: (31) 485-330-600
Fax: (31) 485-330-609

Oerlemans Diepvries Centrale BV

Archimedesweg 19

5928 PP Venlo

Frozen Vegetables

Tel: (31) 77-389-5895

Fax: (31) 77-382-1448

Number one in organic vegetables and potato products with an 80% share of the European retail and catering markets.

Organic and Health Food Shows in Europe

Show: BioFach

Location: Frankfurt, Germany

Organizer: Sunder + Rottner
von-Vollmar-Str. 4
D-91154 Roth, Germany
Ph: (49) 9171- 4011
Fax: (49) 9171- 4016

BioFach is a leading international trade fair for ecological consumer goods. Over 18,000 people attended the show in 1996, up from 16,300 in 1995. There were 1004 exhibitors at the show in 1996, up from 913 the previous year.

Show: SANA

Location: Bologna, Italy

Contact: Foreign Agricultural Service
American Consulate General
Via Principe Amedeo 2/10
20121 Milano, Italy
Ph: (39) (2) 2903-5260
Fax: (39) (2) 659-9641

Market Research Companies

Eurolaunch

Mr. Wim Engels

Bisschopsweg 202

3816 BA Amersfoort

Ph: (31) 33- 470-0920

Fax: (31) 33-470-0920

Information Sources

Stichting Biologica (Organic Food Association)

P.O.Box 12048

3501 AA Utrecht

Ph: (31) 30-230-0713

Fax: (31) 30-230-4423

(The above organization has a list of all the importers, distributors, handlers and manufacturers of organic foods in the Netherlands.)

Vereniging Biologische Producenten

(Union of Organic Processors and Wholesalers)

Delfzijlstraat 14

6835 CP Arnhem

Ph: (31) 26-323-4876

Fax: (31) 26-323-4306

(Membership: 60)

LAZER, Ministry of Agriculture

Slachthuisstraat 71

P.O.Box 965

6040 AZ Roermond

Ph: (31) 475-355-444

Fax: (31) 475-318-939

SKAL

Stationsplein 5

P.O.Box 384

8000 AJ Zwolle

Ph: 31-38-422-6866

Fax: 31-38-421-3063

Platform for Organic Agriculture

Nieuwegracht 15

3512 LC Utrecht

Ph: 31-30-231-3430

Fax: 31-30-230-4423

The Good Food Foundation

Postbus 219

3580 AE Ermelo

Ph: (31) 341-56-0210

Fax: (31) 341-56-2913

(This organization specializes in overseas projects for the development of organic agriculture.)

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